ONE HUNDRED EIGHTH CONGRESS

Congress of the United States

House of Representatives

COMMITTEE ON GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515–6143

MAJORITY (202) 225–5074
FACSIMILE (202) 225–3974
MINORITY (202) 225–5051
TTY (202) 225–6852

www.house.gov/reform

Opening Statement
Congressman Todd R. Platts
September 24, 2003

The Chief Financial Officers (CFO) Act of 1990 increased accountability by enacting much needed financial management reforms throughout the federal government. Among the most important of these reforms was the establishment of a new leadership structure for federal financial management within the 24 largest departments and agencies as well as within the Office of Management and Budget. The CFO Act created 24 chief financial officers for the major executive departments and agencies as well as 24 deputy CFOs. The CFOs in the 14 cabinet-level departments, the Environmental Protection Agency, and the National Aeronautics and Space Administration are filled by presidential appointees, confirmed by the Senate.

On July 24, 2003, I introduced HR 2886 the Department of Homeland Security Financial Accountability Act, along with Chairman Davis, Mr. Towns, Mr. Waxman and Ms. Blackburn. The purpose of this bill is to ensure that the new Department of Homeland Security is subject to the same financial management and accountability requirements as all other cabinet-level departments. HR 2886 achieves this goal by adding the Department of Homeland Security to the list of agencies that are covered by the Chief Financial Officers (CFO) Act of 1990 and making adjustments to provisions of the Homeland Security Act of 2002 to make it consistent with the CFO Act.

The CFOs created by the CFO Act serve as the leaders of financial management in their departments and agencies. The Department of Homeland Security, as one of our most important departments, should adopt this framework as well. The language in the bill will put the Department's CFO on the same footing as the CFOs at the rest of the cabinet-level departments by ensuring that the Department's CFO is a presidential appointee subject to Senate confirmation, that the CFO reports directly to the Secretary, and that the CFO is a part of the statutorily created CFO Council. Applying the CFO Act to the Department will also ensure that the Federal Financial Management Improvement Act of 1996, which sets important requirements for financial management systems among the CFO Act agencies, will apply to DHS as well.

Additionally, in order to ensure the long-term financial stability of the Department from the outset, the bill would require an opinion-level audit of the Department's internal controls. Currently, OMB guidance requires a report on internal controls in conjunction with annual financial audits. Increasing the internal controls report to an opinion-level audit would help to uncover inherent weaknesses and address those issues as business practices are being established – before they become ingrained. While this provision is not required of other CFO Act agencies, the Subcommittee believes it is a necessary and important step in the case of DHS.

The manager's amendment I am offering today removes the fiscal year 2003 waiver for the Department's compilation and audit of its financial statements. The amendment also delays the requirement for the Department to obtain an audit opinion on its internal controls until fiscal year 2005. Finally, the amendment requires the Chief Financial Officers Council and the President's Council on Integrity and Efficiency to complete a joint study on the potential costs and benefits of requiring all Chief Financial Officers Act agencies to obtain audit opinions of their internal controls over their financial reporting. These changes come about as a result of discussions with the Office of Management and Budget and the Department.

The manager's amendment retains key provisions from H.R. 2886 as introduced, most notably, those pertaining to the requirement that the CFO at DHS be appointed by the President and confirmed by the Senate and the provision that ensures that the CFO report directly to the Secretary. The newness, size, and mission of the Department of Homeland Security call for more accountability and oversight, not less.

The standing of the CFO position within the management structure of an agency was a key consideration in crafting the CFO Act. In passing this legislation, the Congress sought to ensure that financial management would be a top-level priority. To that end, Senate confirmation as well as direct access to the Secretary was deemed essential. Not subjecting the Department of Homeland Security to the CFO Act sets a dangerous precedent by lowering the standing of the CFO within the Department and not requiring compliance with important financial management reforms.

Senate confirmation is an indictor of standing and influence, both internally and externally, in the Federal government. At present, DHS is the only cabinet-level Department without a Senate-confirmed CFO. This unique status demotes both the CFO position and the importance of financial management.

Senate confirmation has its roots in Article II of the Constitution. Requiring that the President seek the advice and consent of the Senate for the confirmation of officers of the United States is a means to maintain a balance of power between the President and the Senate. Furthermore, the Senate provides an additional layer of scrutiny over the qualifications of the persons filling these important positions who make both policy and financial decisions on behalf of the entire public.

While not a matter of law, the policy of recent administrations has been to allow only Senate-confirmed individuals to testify before Congress while exceptions are made, so in decisions are made arbitrarily and at the discretion of agency heads and OMB. Without Senate confirmation, it is possible that the CFO – the person directly responsible for the day to day financial management of an entire agency – could be barred from testifying before Congress. This policy combined with the demotion of the CFO position at DHS will limit Congress' ability to demand accountability from one of the most important Departments in the executive branch.